PUBLIC VERSION

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**Washington, D.C.**

| **In the Matter of** | |
|---|---|
| **CERTAIN INDUSTRIAL AUTOMATION SYSTEMS AND COMPONENTS THEREOF INCLUDING CONTROL SYSTEMS, CONTROLLERS, VISUALIZATION HARDWARE, MOTION CONTROL SYSTEMS, NETWORKING EQUIPMENT, SAFETY DEVICES, AND POWER SUPPLIES** | **Inv. No. 337-TA-1074** |

**ORDER NO. 33: DENYING COMPLAINANT ROCKWELL'S MOTION FOR SUMMARY DETERMINATION FINDING THAT THE ONLY ENTITIES THAT ARE AUTHORIZED BY ROCKWELL TO SELL THE TRADEMARKED GOODS THAT ARE ASSERTED IN THIS INVESTIGATION ARE ROCKWELL AND ITS AUTHORIZED DISTRIBUTORS**

(June 29, 2018)

## I. BACKGROUND

On October 16, 2017, the Commission instituted this investigation based on a complaint by Rockwell Automation, Inc. ("Rockwell") for alleged violations of section 337 "based upon the importation into the United States, the sale for importation, and the sale within the United States after importation of certain industrial automation systems and components thereof including control systems, controllers, visualization hardware, motion and motor control systems, networking equipment, safety devices, and power supplies" under subsection (a)(1)(B) and (C) of section 337 by reason of infringement of various copyrights and trademarks, and under subsection (a)(1)(A) of section 337 "by reason of unfair methods of competition[] and unfair acts, the threat or effect of which is to destroy or substantially injure an industry in the

United States." 83 F.R. 48113-48114 (Oct. 16, 2017). Among other respondents, the complaint names Radwell International, Inc. ("Radwell").

Rockwell alleges, *inter alia*, that Radwell sells trademarked Rockwell products on the gray market that "lack a characteristic found in all or substantially all" of the products sold by Rockwell. Motion Docket No. 1074-024 at 1 (the "motion"). Rockwell maintains that it only authorizes sale of its products by Rockwell and its authorized distributors, and further, that it prohibits Rockwell customers from re-selling Rockwell products. Comp. at 9. Rockwell asserts that its authorized products policy assures quality control, enables Rockwell to issue software and firmware updates, and permits Rockwell to track its products and to "understand where its products are being used and any issues that might arise." *Id.*

According to Rockwell, its distributors have the right to sell Rockwell's products within a given territory. *Id.* at 9-10. In addition to other contractual terms, "Rockwell assumes responsibility for warrantying its products sold by its authorized distributors to end users," Rockwell's complaint continues, and the authorized distributors agree to "sell Rockwell products only to end users or to certain value-added resellers, such as original equipment manufacturers ("OEMs") and system integrators." *Id.* at 10. "[T]hese third parties are not permitted to buy Rockwell products from an authorized distributor for mere resale on the gray market. To the contrary, they are expected and required to use the Rockwell products only for value-added purposes – such as for direct integration into larger machines." *Id.*

Rockwell asserts that these contractual obligations prohibiting sales to non-value-added resellers are contained in every contract between Rockwell and its authorized distributors, and also is "explained in great detail in the Unauthorized Third Party Resellers policy," which is incorporated into each contract with an authorized distributor. *Id.*

Rockwell filed the motion on May 25, 2018. On June 7, 2018, Radwell filed an opposition ("Opp."). On the same date, Commission Staff filed a response in support of the motion, stating that it "neither has substantive criticisms of Rockwell's arguments nor has any supplemental legal or factual arguments to raise beyond those presented" in the motion. Staff Response at 1.

In its opposition, Radwell points to several alleged factual disputes that preclude granting summary determination, in Radwell's view. Principally, Radwell alleges that many Rockwell value-added resellers "are in fact resellers of Allen-Bradley products, operating with Rockwell's complete approval." Opp. at 1.[1] According to Radwell, these resellers are not original equipment manufacturers, as alleged by Rockwell. Radwell alleges that "these Rockwell-approved sales of Allen-Bradley products by Rockwell's VARs are not accompanied by the alleged 'material differences.'" *Id.* at 1-2. According to Radwell, the pertinent dispute thus centers on whether the "very significant volume" of sales by alleged resellers of Allen-Bradley products, and allegedly condoned by Rockwell, lack a characteristic found in all or substantially all of the authorized products sold by Rockwell and its authorized dealers. Opp. at 2.

On June 12, 2018, Rockwell filed a reply brief. In its reply, Rockwell states that the issue is whether entities other than Rockwell and its authorized distributors had actual or apparent authority from Rockwell to sell Allen-Bradley products and that, on the facts in the record, it is clear that they did not.

[1] Allen-Bradley is a brand name for Rockwell products.

## II. DISCUSSION

### A. Partial Summary Determination

Federal Rule of Civil Procedure 56(a) provides a party may seek summary judgment upon "all or part" of a claim. Fed.R.Civ.P. 56(a).[2] Additionally, Rule 56(d) states that a court may "make an order specifying the facts that appear without substantial controversy, including the extent to which the amount of damages or other relief is not in controversy, and directing such further proceedings in the action as are just. Upon the trial of the action the facts so specified shall be deemed established, and the trial shall be conducted accordingly." Fed.R.Civ.P. Rule 56(d). *See McDonnell v. Cardiothoracic & Vascular Surgical Assocs., Inc.*, 2004 WL 1234138, at *3 (S.D. Ohio 2004) (citing Fed. R. Civ. P. 56(a), (d)). "Partial summary judgment allows for the prompt disposition of specific claims or defenses." *Hendrickson v. Octagon Inc.*, 225 F. Supp. 3d 1013, 1024 (N.D. Cal. 2016).

The grant of a motion for partial summary judgment does not necessarily resolve a claim but "is merely a pretrial adjudication that certain issues shall be deemed established for the trial of the case. This type of adjudication ... serves the purpose of speeding up litigation by eliminating before trial matters wherein there is no genuine issue of fact." *McDonnell*, 2004 WL 1234138, at *1–2 (citations and internal quotation marks omitted). *See* Fed.R.Civ.P. 56(d) Advisory Committee's Note (1946) ("[A] partial summary 'judgment' is not a final judgment, and, therefore, is not [generally] appealable. The partial summary judgment is merely a pretrial adjudication that certain issues shall be deemed established for the trial of the case").

---

[2] Commission Rule 210.18 is analogous to a motion for summary judgment under Rule 56, Fed. R. Civ. P. *Certain Carbon and Alloy Steel Products,* Inv. No. 337-TA-1002, Initial Determination, 2017 WL 5167413 at *11, *not reviewed* by Commission Notice, 2017 WL 6434923 (Nov. 1, 2017).

**B. Gray Market Infringement**

As explained by the Commission in *Certain Cigarettes and Packaging Thereof ("Cigarettes")*, trademark infringement (and thus a violation of section 337) "is established by proof there are 'material differences' between the accused imported products and the products authorized for sale in the United States.'" Inv. No. 337-TA-643, Comm'n Op., 2009 WL 6751505 at *3 (Oct. 1, 2009) (citation omitted). "The existence of material differences," the Commission stated, "creates a presumption that consumers are likely to be confused as to the source of the gray market product, resulting in damage to the markholder's goodwill." *Id.*

"If the trademark owner, however, introduces goods into the United States market that are not materially different from the gray market product," this undercuts the claim of infringement because permitting recovery "by a trademark owner when less than 'substantially' all of its goods bear the material difference from the gray [market] goods thus would allow the owner itself to contribute to the confusion by consumers that it accuses the gray market importers of creating.'" *Id.* at * 4 (quoting *SKF USA Inc. v. Int'l Trade Comm'n*, 423 F.3d 1307, 1315 (Fed. Cir. 2005)). "A trademark owner may contribute to consumer confusion in the gray market if it directly imports or sells the same gray market goods of which it complains, or if it authorizes importation and sale of these gray market goods." *Id.* (citation omitted).

To determine whether a trademark owner has contributed to consumer confusion by authorizing the importation of gray market goods, the Commission has borrowed from the law of agency. Where a trademark owner has actually or apparently authorized the sale of gray market goods, the sale of such goods may be counted against the trademark owner. "Apparent authority is created when '[T]he principal, either intentionally or by lack of ordinary care, induces third

DOCKET ALARM

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

**LAW FIRMS**
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

**FINANCIAL INSTITUTIONS**
Litigation and bankruptcy checks for companies and debtors.

**E-DISCOVERY AND LEGAL VENDORS**
Sync your system to PACER to automate legal marketing.